安徽皖通高速公路股份有限公司

ANHUI EXPRESSWAY COMPANY LIMITED

(incorporated in the People's Republic of China as a joint stock company with limited liability)

(Stock code 995)

2007 Interim Results Announcement

The Board of Directors of Anhui Expressway Company Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 ("the reporting period"). The unaudited accounts as set out in the interim results were reviewed by the Audit Committee of the Company.

Set out below are the unaudited condensed consolidated accounts (prepared in accordance with the Hong Kong Accounting Standards) of the Group for the first six months of 2007, together with comparative figures for the corresponding period in 2006:

Condensed Consolidated Profit and Loss Account
(Amounts expressed in thousands of Renminbi, except for earnings per share)

	Note	For the six months ended 30 June 2007 *(unaudited)*	2006 *(unaudited)*
Revenues		805,571	805,992
Cost of sales		(195,195)	(248,536)
Gross profit		610,376	557,456
Other gains -net		2,252	3,178
Administrative expenses		(50,038)	(72,277)
Operating profit		562,590	488,357
Finance costs		(35,625)	(46,476)
Share of profit of associates		104	127
Profit before income tax		527,069	442,008
Income tax expense	3	(225,877)	11,968
Profit for the period		301,192	453,976
Attributable to :			
Equity holders of the Company		273,614	454,058
Minority interest		27,578	(82)
		301,192	453,976
Basic earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)	4	0.1650	0.2738
Dividends		—	—

Condensed Consolidated Balance Sheet

ASSETS	As at 30 June 2007 *(unaudited)*	As at 31 December 2006 *(audited)*
Non-current assets		
Property, plant and equipment	6,880,570	6,688,818
Land use rights	569,573	575,267
Intangible assets	3,736	3,988
Interest in associates	6,558	6,455
Available-for-sale financial assets	18,000	18,000
	7,478,437	7,292,528
Current assets		
Inventories	2,653	2,873
Trade and other receivables	24,471	15,542
Cash and cash equivalents	447,770	400,453
	474,894	418,868
Total assets	7,953,331	7,711,396
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital and share premium	3,106,069	3,106,069
Other reserves	(42,402)	(41,689)
Retained earnings		
-Proposed final dividend	—	414,653
-Others	2,191,645	1,917,318
	5,255,312	5,396,351
Minority interest	92,688	65,110
Total equity	5,348,000	5,461,461

Condensed consolidated interim balance sheet (continued)
As at 30 June 2007

LIABILITIES	**As at 30 June 2007** *(unaudited)*	**31 December 2006** *(audited)*
Non-current liabilities		
Long-term payables to minority shareholders of subsidiaries	276,423	281,770
Deferred income tax liabilities	265,413	200,523
	541,836	482,293
Current liabilities		
Trade and other payables	781,392	497,322
Current income tax liabilities	6,103	9,320
Borrowings	1,276,000	1,261,000
	2,063,495	1,767,642
Total liabilities	2,605,331	2,249,935
Total equity and liabilities	7,953,331	7,711,396
Net current liabilities	(1,588,601)	(1,348,774)
Total assets less current liabilities	5,889,836	5,943,754

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2007

	Attributable to equity holders of the Company				
	Share capital and share premium *(Note8)*	**Other reserves** *(Note9)*	**Retained earnings**	**Minority interest**	**Total equities**
Balance at 1 January 2006 (audited)	3,106,069	610,004	1,912,623	200,075	5,828,771
Profit for the half-year (unaudited)	—	—	454,058	(82)	453,976
Appropriation to Enterprise Safety fund (unaudited)	—	7,916	(7,916)	—	—
Utilization of Enterprise Safety Fund (unaudited)	—	(204)	204	—	—
Acquisition of minority interests (unaudited)	—	—	—	(147,000)	(147,000)
Excess of the consideration over the carrying amount of the minority interests acquires (unaudited)	—	(699,147)	—	—	(699,147)
Transfer (unaudited)	—	(54,284)	54,284	—	—
Dividends relating to 2005 (unaudited)	—	—	(464,411)	—	(464,411)
Balance at 30 June 2006 (unaudited)	3,106,069	(135,715)	1,948,842	52,993	4,972,189
Balance at 1 January 2007 (audited)	3,106,069	(41,689)	2,331,971	65,110	5,461,461
Profit for the half-year (unaudited)	—	—	273,614	27,578	301,192
Utilization of Enterprise Safety Fund (unaudited)	—	(713)	713	—	—
Dividends relating to 2006 (unaudited)	—	—	(414,653)	—	(414,653)
Balance at 30 June 2007 (unaudited)	3,106,069	(42,402)	2,191,645	92,688	5,348,000

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2007

	For the six months ended 30 June	
	2007	**2006**
	(unaudited)	*(unaudited)*
Cash flows from operating activities		
Cash generated from operations	682,040	668,559
Interest paid	(26,971)	(29,172)
Income tax paid	(164,205)	(165,442)
Net cash generated from operating activities	490,864	473,945
Cash flows from investing activities		
Purchase of property, plant and equipment	(257,353)	(211,944)
Repaid lease for land use rights	(5,800)	—
Acquisition of minority interest	—	(950,000)
Proceeds from disposal of property, plant and equipment	—	35
Interest received	1,242	1,606
Dividends received	900	1,080
Net cash used in investing activities	(261,011)	(1,159,223)
Cash flows from financing activities		
Proceeds from borrowings	1,276,000	1,710,000
Repayments of borrowings	(1,261,000)	(960,000)
Dividends paid to the Company's shareholders	(197,536)	(137,614)
Net cash (used in)/ generated from financing activities	(182,536)	612,386
Net increase/(decrease) in cash and cash equivalents	47,317	(72,892)
Cash and cash equivalents at beginning of the period	400,453	580,964
Cash and cash equivalents at end of the period	447,770	508,072

Notes to the condensed consolidated financial information

1. **Basis of preparation**

   This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with HKAS 34, "Interim financial reporting". The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

2. **Accounting policies**

   The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

   The following new standards, amendments to standards and interpretations are mandatory for periods ending on or after 30 June 2007:

   - Hong Kong Financial Reporting Standards ("HKFRS") 7, Financial instruments: Disclosures, and the amendment to Hong Kong Accounting Standards ("HKAS") 1, Presentation of Financial Statements - Capital Disclosures, both effective for annual periods beginning on or after 1 January 2007. HKFRS 7 provides for new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The full disclosures as required by HKFRS 7 and the amendment to HKAS 1 will be disclosed in the annual financial statements for the year ending 31 December 2007.

   - Hong Kong International Financial Reporting Interpretation Committee ("HK(IRFIC)")-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group's entities operates in a hyperinflationary economy, HK(IFRIC)-Int 7 is not relevant to the Group's operations;

   - HK(IFRIC))-Int 8, Scope of HKFRS 2 (effective for accounting periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires the consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued as to whether they fall within the scope of HKFRS 2. HK(IFRIC)-Int 8 does not have significant impact on the Group's accounts;

- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for accounting periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. This interpretation does not have any significant impact on the reassessment of embedded derivatives as the Group has already assessed whether embedded derivative should be separated using the principles that are consistent with HK(IFRIC)-Int 9; and

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the reversal of impairment losses recognised in an interim period in respect of goodwill, investments in equity instruments and investments in financial assets carried at cost, at a subsequent balance sheet date. HK(IFRIC)-Int 10 does not have significant impact on the Group's accounts.

The following new standards, amendments to standards and interpretations have been issued as of 30 June 2007 but are not effective for period ended 30 June 2007 and have not been early adopted:

- HKFRS 8, "Operating Segments", effective for accounting periods beginning on or after 1 January 2009. Management do not expect the standard to be relevant for the Group;

- HK(IFRIC)-Int 11, "HKFRS 2 — Group and Treasury Share Transactions", effective for accounting periods beginning on or after 1 March 2007. Management do not expect the interpretation to be relevant for the Group; and

- HK (IFRIC)-Int 12, "Service Concession Arrangements", effective for accounting periods beginning on or after 1 January 2008. This interpretation applies to companies that participate in service concession arrangements and provides guidance on the accounting by operations in public-to-private service concession arrangements. The Group will apply HK (IFRIC)-Int 12 from 1 January 2008. Management is currently assessing the impact of HK (IFRIC)-Int 12 on the Group's accounts.

- HKAS 23 (Revised), "Borrowing Cost", effective for accounting periods beginning on or after 1 January 2009. The revised HKAS 23 removes the option of immediately recognizing the borrowing costs as an expense, and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised HKAS 23 only applies to qualifying assets measured at cost and excludes inventories that are routinely manufactured, or otherwise produced in large quantities on a repetitive basis. The Group will apply the revised HKAS 23 from 1 January 2009. Management is currently assessing the impact of the revised HKAS 23 on the Group's accounts.

3. **Income tax expense**

(a) *Hong Kong profits tax*

There were no Hong Kong profits tax liabilities as the Group did not earn any income assessable to Hong Kong profits tax.

(b) *PRC Enterprise Income Tax ("EIT")*

The Company was registered in the Hefei High Technology Industry Development Zone and certified as a high-tech company. Pursuant to the relevant regulations on preferential policies on EIT issued by the Ministry of Finance and the State Taxation Bureau, the Company is able to apply for a beneficial EIT rate of 15%. The tax authority did not approve the Company's application for the above beneficial EIT rate in current period. Hence, the applicable EIT rate of the Company in 2007 is 33% (2006: 15%).

The applicable EIT rate for other subsidiaries and associated companies of the Company are 33%.

On 16 March 2007, the National People's Congress passed the China Corporate Income Tax Law. This new law will be effective from 1 January 2008. Thereafter, the applicable EIT rate of the Company and the subsidiaries and associated companies of the Company are to be adjusted from 33% to 25%.

	For the six months ended	
	30 June 2007	**30 June 2006**
	(unaudited)	*(unaudited)*
Current income tax	160,988	89,820
Deferred income tax	64,889	(101,788)
	225,877	(11,968)

4. **Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. No diluted earnings per share is presented, as the Company has no dilutive potential shares.

	For the six months ended	
	30 June 2007	**30 June 2006**
	(unaudited)	*(unaudited)*
Profit attributable to equity holders of the Company	273,614	454,058
Weighted average number of ordinary shares in issue (thousands)	1,658,610	1,658,610
Basic earnings per share (expressed in RMB per share)	0.1650	0.2738

5. **Commitments**

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	30 June 2007 *(unaudited)*	**31 December 2006** *(audited)*
Property, plant and equipment		
- authorized but not contracted for	984,000	1,000,000
Acquisition of minority interest		
- contracted but not provided for	570,000	830,000
	1,554,000	1,830,000

I. Interim Results and Dividends

During the reporting period, in accordance with the PRC Accounting Standards, the Group achieved a revenue of RMB832,777,000 (Corresponding period in 2006: RMB832,174,000) , representing an increase of 0.07% compared with that of the corresponding period of last year. The total profit was RMB499,941,000 (Corresponding period in 2006: RMB412,721,000), representing an increase of 21.13% compared with that of the corresponding period of last year. Unaudited net profit attributable to shareholders of the parent company reached RMB308,006,000(Corresponding period in 2006: RMB322,981,000), representing a decrease of 4.64% compared with that of the corresponding period of last year. Basic earnings per share was RMB0.1857 (Corresponding period in 2006: RMB0.1947), representing a decrease of 4.62% compared with that of the corresponding period of last year. The decrease of net profit was mainly due to the adjustment of income taxation rate of 15% to 33%, which resulted in the substantial increase of income taxation.

In accordance with the Hong Kong Accounting Standards, the Group achieved a turnover of RMB805,571,000, representing a decrease of 0.05% compared with that of the corresponding period of last year. Profit before taxation was RMB527,069,000, representing an increase of 19.24% compared with that of the corresponding period of last year. Unaudited equity holders of the Company of RMB273,614,000 was achieved, representing a decrease of 39.74% compared with that of the corresponding period of last year. Basic earnings per share was RMB0.1650, representing a decrease of 39.74% compared with that of the corresponding period of last year. The decrease of equity holders of the Company was mainly due to, on one hand, the adjustment of income taxation rate of 15% to 33%, which resulted in the substantial increase of income taxation; on the other hand, in the half of 2006, the acquisition of 49% interests in Gaojie Company resulted in a decrease of RMB147,632,000 of deferred income taxation, there was no change during this period.

The Board of Director of the Company recommends that the Company will neither distribute the dividends for the six months ended 30 June 2007 nor transfer the capital surplus to share capital.

II. Management Discussion and Analysis

I Business Review (In accordance with the PRC Accounting Standards unless otherwise stated)

1 *Toll Expressways*

The Company is principally engaged in holding, operating and developing the toll expressways and highways in and outside of Anhui Province. During the reporting period, the Company is principally engaged in operating and managing Hening Expressway (134 km), Gaojie Expressway (110 km), Xuanguang Expressway (84 km), Lianhuo Expressway Anhui Section (54 km), Ninghuai Expressway Tanchang Section (14 km) and New Tianchang Section of National Trunk 205 (30 km) with a total mileage of 426km.

Name of roads	Length (km)	Number of lanes	Number of toll stations	Number of service areas	Commencement of operation	Remaining term of operation
Hening Expressway	134	4	8	3	1991	19
New Tianchang Section of National Trunk 205	30	4	1	—	1997	19
Gaojie Expressway	110	4	3	4	1999	22
Xuanguang Expressway	84	4	4	1	1997	21
Lianhuo Expressway Anhui Section	54	4	5	1	2002	25
Ninghuai Expressway Tianchang Section	14	6	1	1	2006	2

Note: The toll collection period of Ninghuai Expressway Tianchang Section is tentatively fixed at 3 years with effective from the date of collection of tolls. The formal toll collection period will be determined by the future evaluation.

During the reporting period, the traffic volumes and toll income of highways held by the Group had increase and decrease respectively. The Group achieved an revenue of RMB832,777,000, representing an increase of 0.07% compared with that of the corresponding period of last year.

Operations of Each Road

Name of roads	**Share of interests**	**Converted average daily traffic volumes for entire journey (vehicle)**			**Toll income (RMB'000)**		
		First half of 2007	**First half of 2006**	**Change (%)**	**First half of 2007**	**First half of 2006**	**Change (%)**
Hening Expressway	100%	15,113	15,814	-4.43	317,890	317,329	0.18
New Tianchang Section of National Trunk 205	100%	8,343	15,849	-47.36	34,620	54,927	-36.97
Gaojie Expressway	100%	9,591	8,231	16.52	217,821	186,634	16.71
Xuanguang Expressway	55.47%	10,358	9,064	14.28	142,473	142,080	0.28
Lianhuo Expressway Anhui Section	100%	7,358	8,708	-15.50	91,661	108,385	-15.43
Ninghuai Expressway Tianchang Section	100%	8,450	—	Not applicable	16,046	—	Not applicable

Note: Ninghuai Expressway Tianchang Section was opened to traffic on 18 December 2006.

Name of roads	**Interests**	**Proportion of passenger vehicles to goods vehicles**		**Toll income per vehicle (RMB)**		
		First half of 2007	**First half of 2006**	**First half of 2007**	**First half of 2006**	**Change (%)**
Hening Expressway	100%	60:40	63:37	116	111	4.50
New Tianchang Section of National Trunk 205	100%	41:59	57:43	23	19	21.05
Gaojie Expressway	100%	39:61	41:59	126	125	0.80
Xuanguang Expressway	55.47%	49:51	48:52	76	87	-12.64
Lianhuo Expressway Anhui Section	100%	33:67	33:67	69	69	—
Ninghuai Expressway Tianchang Section	100%	76:24	—	10	—	Not applicable

Note: Ninghuai Expressway Tianchang Section was opened to traffic on 18 December 2006.

After the fluctuation during the past two or three years, the traffic volumes and toll income per vehicle of each highway of the Company has become gradually stable, which can be expected to keep stable in the forthcoming years.

Ninghuai Expressway Tianchang Section's open to traffic diverted the traffic volumes of New Tianchang Section of National Trunk 205, the traffic volumes of which had a substantial decrease compared with that of the corresponding period of last year. With the calculation combining the above two highways, the converted average daily traffic volumes for entire journey for the first half of 2007 was 16,793, representing an increase of 5.96% compared with that of the corresponding period of last year, the toll income was RMB50,634,000, representing a decrease of 7.82% compared with that of the corresponding period of last year. The reason for the decrease of toll income was that the mileage of Ninghuai Expressway Tianchang was 14 km, which was far short compared with New Tianchang Section of National Trunk 205' mileage of 30 km.

Due to the constant denseness of highway networks in the north of Anhui Province, traffic volumes of Hening Expressway and Lianhuo Expressway Anhui Section decreased to some extent.

The reconstruction of Xuangung Expressway was completed in October 2006, traffic volumes of which are stably being resumed. Owing to the decrease of goods vehicles' percentage and change of structure, the increase of toll income was much lower than that of traffic volumes.

2. **Operating results of subsidiaries of the Company (In accordance with the PRC Accounting Standards):**

Unit: RMB'000

	Revenue	**Operating costs**	**Operating profit**	**Net profit**
Xuanguang Expressway Company Limited ("Xuanguang Company")	143,262	36,184	91,380	61,284

3. **Investment**

(1) **Widening of four-lane to eight-lane of Hening Expressway**

The widening of four-lane to eight-lane of Hening Expressway with the section of Dashushan to inter-connected interchange of Longxi commenced in August 2006. The widening works is to be completed within 3 years with a total length of 42.64 km. The investment of the widening works is expected to be approximately RMB1,964 million.

During the reporting period, RMB276 million was invested in the widening works, as at the end of the reporting period, the accumulated investment was RMB410 million.

(2) **The construction of Wantong Expressway Hi-tech Industrial Park**

The investment of the construction of Wantong Expressway Hi-tech Industrial Park is expected to be approximately RMB142 million and finished at the end of 2009. During the reporting period, RMB9,791,000 was invested in the construction of Wantong Expressway Hi-tech Industrial Park.

II **Operation Results Analysis (in accordance with the PRC Accounting Standards)**

Key financial index	**(January-June) 2007** *(RMB'000)*	**(January-June) 2006** *(RMB'000)*	**Change(%)**
Revenue	832,777	832,174	0.07
Operating costs	230,975	288,108	-19.83
Operating profit	499,831	412,228	21.25
Administrative expenses	49,369	79,650	-38.02
Finance costs	26,400	27,866	-5.26
Net profit attributable to shareholders of parent company	308,006	322,981	-4.64

Revenue

During the reporting period, the Group achieved a revenue of RMB832,777,000, representing an increase of 0.07% compared with that of the corresponding period of last year. Among which, Hening Expressway, Gaojie Expressway, Xuanguang Expressway, Lianhuo Expressway Anhui Section and New Tianchang Section of National Trunk 205 represented an increase (decrease) of -1.91%, -33.94%, 14.04%, 0.29% and -16.44 compared with that of the corresponding period of last year respectively

Composition and percentage of revenue (including toll income and other business income) are as follows:

Name of the roads	**(January-June) 2007** *(RMB'000)*	**As a percentage of the total income** *(%)*	**(January-June) 2006** *(RMB'000)*	**As a percentage of the total income** *(%)*
Hening Expressway	322,123	38.68	328,385	39.46
New Tianchang Section of National Trunk 205	36,396	4.37	55,092	6.62
Gaojie Expressway	221,722	26.63	194,431	23.36
Xuanguang Expressway	143,262	17.20	142,853	17.17
Lianhuo Expressway Anhui Section	93,102	11.18	111,413	13.39
Ninghuai Expressway Tianchang Section	16,172	1.94	—	—
Total	832,777	100.00	832,174	100.00

Operating costs

During the reporting period, the operating costs related to toll roads of the Group was RMB230,975,000, representing a decrease of 19.83%, which mainly due to decrease of road maintenance expenses and other business costs.

Specific operating costs

Unit: RMB'000

Project of Costs	Depreciation and amortization	Road maintenance expenses	Other operation costs
First half of 2007	173,022	41,656	16,297
First half of 2006	167,458	68,690	51,960

Operating profit

Owing to the increase of toll income and decrease of operating costs, the operating profit of the Group during the reporting period increased 21.25% to RMB499,831,000. The gross profit margin of the Group during the reporting period was 72.26% (Corresponding period of 2006: 65.38%).

During the reporting period, revenue and gross profit margin of the Group are as follows:

Unit: RMB'000

Name of roads	Revenue	Operating costs	Gross profit margin *(%)*	Change in revenues *(%)*	Change in costs *(%)*	Change in gross profit margin *(%)*
Hening Expressway	322,123	68,649	78.69	-1.91	-29.07	8.16
New Tianchang Section of National Trunk 205	36,396	11,001	69.77	-33.94	-29.01	-2.10
Gaojie Expressway	221,722	59,672	73.09	14.04	-39.13	23.51
Xuanguang Expressway	143,262	36,184	74.74	0.29	10.62	-2.36
Lianhuo Expressway Anhui Section	93,102	43,718	53.04	-16.44	-3.02	-6.50
Ninghuai Expressway Tianchang Section	16,172	11,751	27.34	Not applicable	Not applicable	Not applicable
Total	832,777	230,975	72.26	0.07	-19.83	6.88

Administrative expenses

During the reporting period, the Group's administrative expenses were RMB49,369,000, representing a decrease of 38.02% compared with that of the corresponding period of last year, which was mainly due to strengthening management resulting in decrease of relevant expenses.

Finance costs

During the reporting period, the Group's finance costs were RMB26,400,000, representing a decrease of 5.26% compared with that of the corresponding period of last year, which mainly because the interest expenses regarding general bank loans used in widening of Hening Expressway were capitalized according to new PRC accounting standards.

Net profit

During the reporting period, the total profit of the Group was RMB499,941,000, net profit attributable to shareholders of the parent company was RMB308,006,000, representing an increase of 21.13% and a decrease of 4.64% respectively compared with that of the corresponding period of last year. During the reporting period, the basic earnings per was RMB0.1857. The main reason was that the income taxation rate was adjusted from 15% to 33%, which resulted in substantial increase of income taxation to RMB73,382,000.

III **Analysis of Financial Condition**

Total assets

As at the end of the reporting period, the total assets of the Group was RMB7,006,942,000, representing a decrease of 3.32% compared with that at the end of last year, mainly because that the Group recorded the goodwill of RMB442,790,000, which resulted from purchasing of minority interests of a subsidiary, as a reversal of shareholders' equity in the Group's consolidated financial statements in accordance with the new PRC accounting standards.

Current liabilities

As at 30 June 2007, the Group's current liabilities was RMB2,063,495,000 (As at 31 December 2006: 1,767,639,000), of which RMB1,276,000,000 was short term borrowings, RMB321,969,000 was accounts payables, RMB24,838,000 was staff wages payables, RMB20,458,000 was tax payables, RMB217,117,000 was dividends payables RMB203,114,000 was other payables, (including RMB25,673,000 of toll income collected on behalf of the inter-network settlement center, RMB32,749,000 of deposit from engineering projects and RMB5,680,000 of pension funds and RMB38,704,000 was provision on road maintenance and central control maintenance expenses). Pursuant to the current working capital conditions, the facilities not yet utilized and future funding arrangements, the Group expects that it will have sufficient funds to repay the amounts due to as mentioned above.

Long-term liabilities

As at 30 June 2007, the Group's long term liabilities was RMB464,837,000 (As at 31 December 2006: RMB479,346,000), which represented the payables to Xuancheng Highway Management Company Limited for its total investments exceeding its share of registered capital of Xuanguang Company and the accrued enterprise safety fund provided with 1% of the toll income during period of 2004 to 2006.

Shareholders' equities (including minority interests)

As at 30 June 2007, the Group's shareholders' equities was RMB4,478,609,000, representing a decrease of RMB522,221,000 from that at the beginning of the year, which was mainly because that after the Company's adoption of new accounting standards, the unamortization remaining of goodwill offset the capital surplus and the payment of previous year's dividends resulted in decrease of unappropriated profit.

Cash flows of the Group

As at 30 June 2007, the Group's cash and cash equivalent were RMB447,770,000, representing a decrease of RMB60,302,000 compared with that as at 30 June 2006.

During the reporting period, the Group's net operating cash inflow was RMB517,835,000, representing an increase of RMB14,718,000 compared with that of the corresponding period last year, which was mainly due to the substantial increase in toll income and decrease of maintenance costs.

During the reporting period, the Group's net cash outflow used in investment was RMB261,011,000, which was mainly used in Widening of Hening Expressway and building of new and hi-tech park.

During the reporting period, the Group's net cash outflow from financing activities was RMB209,507,000, which was mainly due to payment of last year's dividends.

During the reporting period, the Group's bank loans were RMB1,276,000,000 in aggregate. As at the end of the reporting period, the balance of bank loans was RMB1,276,000,000. Interests rate for the bank loans above were 5.265%.

Capital expenditures

During the reporting period, the Group's capital expenditure totaled RMB263 million, which was mainly comprised the Widening of Hening Expressway and building of new and hi-tech park, which was funded by operating cash flows and bank loans.

As at the end of the reporting period, outstanding capital commitments of the Group were as follows:

The widening of Hening Expressway with RMB1,554 million authorized but not contracted for or Contracted but not provided for;

Capital Structure

	As at 30 June 2007		As at 31 December 2006	
	Amount *(RMB'000)*	Percentage *(%)*	Amount *(RMB'000)*	Percentage *(%)*
Current liabilities	2,063,495	29.45	1,767,639	24.39
Long-term liabilities	464,837	6.63	479,346	6.61
Shareholders' equities	4,384,119	62.57	4,933,555	68.07
Minority interests	94,490	1.35	67,274	0.93

The structure of shareholders' equities and liabilities of the Group was reasonable. As at 30 June 2007, the Group held total cash and cash equivalent of RMB447,770,000 and bank loans of RMB1,276,000,000. The gearing ratio was 36.08% (31% on 31 December 2006). The Group's current ratio and quick ratio are 0.2301 and 0.2289 respectively.

IV **Change of Taxation Policies**

The Company received a notice from Anhui Provincial Office, the State Administration of Taxation that the Company should be subject to an income taxation rate of 33% (previously at 15%) from 1 January 2007.For the first half of 2007, the income taxation expenses of the Company increased by RMB73,382,000, the net profit decreased by RMB73,382,000 and the net assets decreased by RMB73,382,000.

V **Impact from New PRC Accounting Standards**

Starting from 1 January 2007, the Group has implemented the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance on 15 February 2006.

In preparing the 2007 interim financial statements, related comparative figures in 2006 had been adjusted retrospectively according to the requirements of "ASBE Number 38 — First Time Adoption of Accounting Standards for Business Enterprises". Certain reclassifications were also made to comply with the presentation requirement of ASBE. Retrospectively adjusted contents are mainly involving the recognition of deferred tax assets, as a result of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The shareholders' equity as at 1 January, 30 June, 31 December 2006 and the net income for 2006 and for the six months ended 30 June 2006, which presented according to the original PRC accounting standards and ASBE respectively, were disclosed in Note 11 in the notes to the financial statements.

VI **Contingent Liabilities**

During the reporting period, the Group does not have any contingent liabilities.

III. **Major Events**

1. **Material Litigation and Arbitration**

The Company was not involved in any material litigation or arbitration during the reporting period.

2. **Material Acquisition and Disposals of Assets and Mergers**

During the reporting period, the Company was not involved in any material acquisition and disposals of assets and mergers.

3. **Material Connected Transactions**

During the reporting period, the Company was not involved in any material connected transactions.

4. **Material Contracts and their Implementation**

(1). Material custody, subcontracting and leasing items

During the reporting period, the Company was not involved in any material custody, subcontracting and leasing.

(2). Material guarantee

During the reporting period, the Company did not provide guarantee for shareholders, connected persons and other companies.

(3). Financial entrustment

During the reporting period, the Company was not involved in any financial entrustment business.

(4). Entrusted deposit and overdue fixed deposit

During the reporting period, the Company did not have any entrusted deposit with financial institutions in the PRC, neither has the Company experienced any incident of not being able to withdraw fixed deposits when they became matured.

5. **Commitments of the Company and shareholders with more than 5% equities**

(1) Pursuant to the Reorganization Agreement signed by the Company and AEHC on 12 October 1996, AEHC has undertaken that it will not participate in any businesses or activities, which will compete against the Company either directly or indirectly.

(2) The widening of four-lane to eight-lane of Hening Expressway with the section of Dashushan to inter-connected interchange of Longxi commenced in August 2006, as of 30 June 2007, RMB1,554,000,000 was authorized but not contracted for or contracted but not provided for;

(3) Particular undertakings made by the shareholders of non-circulating shares of the Company during the Share Segregation Reform and their implementation.

(i) Within twelve months from the day of granting listing status to the Non-circulating Shares of the Company held by them, they would not trade or transfer such shares, and that, within twelve and twenty four months, respectively, subsequent to the aforesaid period, the numbers of the originally Non-circulating Shares subsequently listed for trading on the stock exchange would not exceed five per cent and ten per cent, respectively, of the total number of shares of the Company;

(ii) The Shareholders of Non-circulating Shares have undertaken to pay relevant expenses arising from the Share Segregation Reform proportional to the respective percentages of the Company's Non-circulating Shares held by them immediately prior to the implementation of the Share Segregation Reform;

(iii) Within 3 years from the implementation date of the Share Segregation Reform Proposal, the Shareholders of Non-circulating Shares will sell their shares with the price not less than RMB8.28 (such price to be calculated on an ex-rights basis if dividends distribution, allotment of shares and capitalization of capital reserve are implemented). The proceeds from any sale by Shareholders of Non-circulating Share in breach of such undertaking shall be reverted to the Company's account for the benefit of all shareholders of the Company;

(iv) All Shareholders of Non-circulating Shares undertook that, during three continuous years immediately following the completion of implementation of the Reform Proposal, they should propose at the annual general meeting of the Company that the Company's dividends distributable in cash shall not be less than 60% of the period available for distribution to the shareholders for the corresponding periods and undertook to vote for such resolutions at the annual general meeting;

(v) Shareholders of Non-circulating Shares undertakes that, upon the completion of this Share Segregation Reform, they will make recommendation for formulation of long term incentive scheme, including the share incentive scheme, to the Board of Directors of the Company. Such long-term incentive scheme will be implemented by Board of Directors in accordance with the relevant regulation of the State or upon approval by the general meeting of shareholders;

(vi) In the future, Anhui Expressway Holding Corporation will continue to support the Company to purchase good-quality road assets owned by Anhui Expressway Holding Corporation, and as always, pay attention to protect shareholders' interests.

IV. Other Major Events

1. **Basic Medical Insurance**

   During the reporting period, the enterprises and institutions in Hefei should contribute the amount equal to 8% of the basic wages to its staff for medical insurance in accordance with No.82 Hefei People's Government Order issued in November 2000 by Hefei, Anhui, where the Company is located. The Company contributed the said medical insurance starting from 2005, the insurance fees will be provided from the welfare funds of the staff and this will not exercise significant influence on the operating results of the Company. The Company will not be required to contribute medical insurance prior to 2005.

2. **Housing Fund**

   The Company does not own any staff quarters and does not plan to provide any staff quarters. During the period under review, the Company contributed the amount equal to 20% to the basic wages of its staff (approximately RMB2,953,000) to the Housing Fund in accordance with the society insurance scheme implemented by Anhui Provincial Government. There is no further obligation of the Group apart from contributions to the Housing Fund.

3. **Pension Scheme**

   The Group has participated in the pension scheme organized by the government since 1997, pursuant to which a contribution shall be made based on 23% of the basic salary of the employees of the Company (as to which 20% contributed by the Company and the remaining of 3% contributed by the employees), a contribution shall be made based on 27% of the basic salary of the employees of Xuanguang Company (as to which 23% contributed by Xuanguang Company and the remaining of 4% contributed by the employees). This constituted the sole responsibility of the Group to the pension scheme. Such pension scheme shall undertake the responsibility to pay pension fund to the retired employees.

   In addition to the above pension plans, the employees of the Group also entered into a supplementary pension scheme on a voluntary basis. The Group is required to make an annual contribution to an independent fund management company equivalent to the basic monthly salary, subject to certain ceiling, in respect of its employees. The Group is also required to pay RMB230 every month to those employees, who have retired or will retire before 31 December 2015.

4. **Code on Corporate Governance Practice**

   For the six months ended 30 June 2007, Directors of the Company confirmed that the Company has complied with the relevant requirements of the Appendix 14 "Code on Corporate Governance Practice" of the Listing Rules of the Stock Exchange of Hong Kong Limited (" Listing Rules").

5. **Audit Committee**

During the reporting period, the Audit Committee convened three meetings, which reviewed the 2006 Annual Results Report and Financial Statement prepared in accordance with the PRC and Hong Kong Accounting Standards, the 2007 First Quarterly Report, as well as the 2007 Interim Results Report and Unaudited Financial Statement prepared in accordance with the PRC and Hong Kong Accounting Standards.

6. **Independent Non-executive Director**

The Company has appointed enough Independent Non-executive Directors with professional knowledge in accordance with Rules 3.10(1) and 3.10(2) of Listing Rules. The Company appointed 3 Independent Non-executive Directors, one of which is specialized in accounting and financial management.

7. **Model Code for Securities Transactions for Directors and Supervisors of the Company**

For the six months ended 30 June 2007, the Company has adopted the code provisions on the trading of shares of the Company by relevant directors contained in the "Model Code for Securities Transactions by Directors and Supervisors of Listed Issuers" ("Model Code for Securities Transactions") as set out in the Appendix 10 of the "Listing Rules". After making specific enquiries of all directors and supervisors, the Company confirms that all directors and supervisors fully complied with the "Model Code for Securities Transactions".

8. **Purchase, Sale and Redemption of the Company's Shares**

During the reporting period, the Company did not repurchase any of its listed shares, not purchased or re-sold any listed shares of the Company.

V. **Outlook**

The urbanization trend and the speedy increase of vehicle ownership in China will continue to propel a faster demand growth in highway transportation. The constantly increasing transportation demand and the huge development potential of the regional economy will be the major driving force for the Company's development.

The sustained growth of the PRC economy and the rapid development of the industry have provided a favorable external environment for the continued growth of the Company, but the Company will also face problems of increasing difficulties in project acquisitions, the recurrence of diversification effect, competitions from other forms of transportation and fuel taxation reforms. The Company will continue to seek support from the major shareholders in future, and make use of the accumulated industrial management experience internally to fully develop the intrinsic growth potentials, lower the operating costs so as to enhance the intrinsic competitiveness on the basis of improvements to the Company's existing highway service quality. Externally, emphasis will be on the grasping of opportunities; through the continued identification and acquisition of quality highway projects to expand the scope of the Company's key operations. The Company will insist on its key operations, enhance the Company's economic efficiency, strengthen the Company's overall strength, so as to enable the enterprise to keep its advantages in a fierce competitive environment to create better results.

By order of the Board
Wang Shui
Chairman

Hefei, The PRC, 24 August 2007

Documents Available for Inspection

The original copy of the Interim Report and Interim Financial Report signed by the Chairman;

Place of inspection:

The Office of the Secretary to the Board of Directors
Anhui Expressway Company Limited
520, Wangjiang West Road, Hefei, Anhui Province, The PRC (postal Code: 230088)

As at the date of this Announcement, the board of directors of the Company comprises: Wang Shui, Li Yungui, Tu Xiaobei, Zhang Wensheng, Li Zhanglin, Leung Man Kit, Li Mei and Guo Shan

A detailed interim results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be subsequently published on the Stock Exchange's website in due course: http://www.hkex.com.hk